Star BUSINESS

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Tata Motors to enter Pak market

PTI, *New Delhi*

Tata Motors, India's largest automobile firm, has announced its entry in Pakistan through its subsidiary Tata Daewoo Commercial Vehicle Co with the commissioning of a new truck and bus assembly unit in Karachi.

The company said Friday in a statement its South Korean venture TDCV has entered into a technical assistance pact with Afzal Motors (Pvt) Ltd of Pakistan to assemble trucks and buses.

The plant has a capacity to produce 3,000 vehicles a year and would assemble heavy-duty trucks of TDCV and buses from the Daewoo Bus Company, South Korea. Afzal Motors has already begun sourcing knocked down sets of TDCV trucks, it said.

In 2007-08, TDCV trucks are expected to garner a market share of about 30 per cent in Pakistan, it said.

The Prime Minister of Pakistan, Shaukat Aziz, formally inaugurated the plant, in the presence of senior management of TDCV and Afzal Motors, it said.

TDCV is a 100 per cent subsidiary of Tata Motors and is the second largest manufacturer of heavy-duty trucks in South Korea, with a modern manufacturing facility at Gunsan.

Myanmar to decide on gas export to India by May

PTI, *New Delhi*

Myanmar will decide on exporting gas to India by May, after it gets the reserves in its offshore areas certified, said U. Soe Myint, Director, General Energy Planning Division, Ministry of Energy, Government of Myanmar.

"The current estimate of gas reserves would not support export of gas to India either through a pipeline or in the form of LNG," he told reporters.

Independent certifiers have certified 4.8 trillion cubic feet gas reserves in offshore block A-1 while in the adjacent block A-3 the reserves would be established after the current appraisal drilling is completed in May.

"Gas from the two blocks will be tied up and developed together. Myanmar will use the gas first for its own consumption and then if there is a surplus, we will look for exports," he said.

KL starts recruiting Bangladeshi farmers this week

STAR BUSINESS REPORT

Malaysia is going to start importing Bangladeshi farm workers from this week, according to a Kuala Lumpur-based non-governmental organisation working for safeguarding the interests of expatriate Bangladeshis.

The Bangladesh Workers Welfare Centre (BWWC), assigned for this manpower export, claimed that prospect of local agricultural labour force's being employed in Malaysian plantation sector is bright as Indian and Indonesian farm workers take least interests to work in this sector in the recent time.

"This week we are sending a team of 40 persons to Malaysia charging an amount of only Tk 60,000 as service fee and by the next week another team of 50 persons would leave Dhaka", said Golam Ahad, the BWWC chairman, at a press conference at the Reporters Unity auditorium in the city yesterday.

"We know that it is tough for the average farmer families to pay a huge sum of money, so we made arrangements that the employers in Malaysia pay for the tickets of the intending migrants", he said.

Then the primary charge to go to Malaysia would be reduced to Tk 25-30 thousand, he said, adding, "we already had signed agreements with some of the Malaysian companies".

Responding to a query, he said theirs is not a recruiting agency, but an organisation that would act as a catalyst to ensure welfare of Bangladeshi expatriates in Malaysia.

"In every one hundred men, we would send a socially disadvantaged person free of cost to Malaysia", he announced.

"If we can explore the prospects for our farm workers in the Malaysian farming, we are hopeful that our compatriots would be able to earn name through their sincerity, the BWWC chief went on.

Ahad, a Bangladesh-born Malaysian citizen who has been living there since 1977, was also critical of the Bangladeshi recruitment agencies and their association, Baira (Bangladesh Association of International Recruitment Agencies), saying that this trade body has long been charging much higher than what is required to export manpower there.

He made an assurance that the BWWC would never charge unusual sum of money from the poor persons.

So far, profit-monger agencies exported educated Bangladeshi youths to Malaysia to work in that country's farming sector, but they usually have apathy for being farm workers, Ahad also told journalists, adding that once they are employed in the farms, they get dissatisfied and frustrated as they cannot adapt, and flee the farms concerned and finally head towards factories.

"As the practice is contrary to the Malaysian law, we plan to export only the surplus agricultural labourers to the plantation sector in Malaysia so that they do not face any trouble to work there," Ahad disclosed.

He also expressed hope that in the coming days they would be able to export Bangladeshi labourers in other sectors of Malaysia at a much cheaper cost.

PHOTO: GLOBAL ONLINE

Rubaba Dowla Matin, head of Marketing of Grameenphone Ltd, and Russell T Ahmed, convener of Corporate Bazaar-2007, an exhibition of corporate houses scheduled for February 10-12, pose for photographs at an agreement signing ceremony on Thursday. Under the deal, the mobile phone operator will take part in the show as an exhibitor and host a seminar. Global Online Services Ltd, a local corporate internet service provider, will organise the fair.

India's IT outsourcing market share soars over 14 times

PTI, *New Delhi*

Globally IT firms witnessed an overall drop in new outsourcing contracts in 2006, but Indian companies -- such as Infosys, TCS and Wipro -- bucked the trend with a sharp jump of over 14 times in their market share in the past four years, a new study shows.

In contrast to the massive gains registered by Indian service providers, the market share of 'Big Six' global outsourcing majors -- Accenture, IBM, HP, ACS, CSC and EDS -- declined to 46 percent last year from 71 percent in 2002.

The market share of India-based providers rose to 7 percent last year, from less than 0.5 percent in 2002.

According to a new study by outsourcing advisory firm TPI, there are tougher times ahead for the global IT majors as they face intensifying competition from new market players.

"Indian firms are emerging as an attractive and credible alternative to the traditional players and over the next few years they are expected to compete directly with the 'Big Six' for larger value contracts," TPI's EMEA Managing Director Duncan Aitchison said.

Anti-capitalist forum opens in Nairobi

AP, *Nairobi, Kenya*

More than 80,000 people gathered for an annual anti-capitalist conference in Kenya's capital on Saturday, hoping to network with other activists and protest global policies they say hurt the poor.

The World Social Forum will be a chance to showcase "Africa and her unbroken history of struggle against foreign domination, colonialism and neocolonialism," according to a statement on the event Web site.

The forum kicked off with several hundred protesters marching from Kenya's sprawling Kibera slum to downtown Nairobi. About a third of Nairobi's total population, at least 700,000 people, is crammed into a single square mile in Kibera, with little access to running water and other basic services.

The slum stands in sharp contrast to Nairobi's many elegant homes and hotels.

India voices concern over rising prices

Inflation highest in 2 years

PALLAB BHATTACHARYA, *New Delhi*

Indian Finance Minister P Chidambaram has voiced concern over rising prices after the inflation reached a two-year high of 6.12 percent in the first week of this year.

"Inflation is being driven by supply-side constraints. Inflation rose from 5.58 percent to 6.12 percent and is indeed a cause for concern", he told reporters here on Friday.

The common people are feeling the pinch as prices of basic food items such as pulses and some vegetables have ruled high. The prices of manufactured products have also gone up because of higher input prices.

For the first time in three years, the inflation for the manufactured products group in the Wholesale Price Index has climbed to around 6 percent, as against 3.5 percent for a major part of 2005.

Among the food prices causing concern are pulses, fruits, tomatoes, coconut and among manufactured products, there is a rise in prices of small steel products and some edible oils.

On non-food front, prices of non-ferrous metals such as zinc, copper and nickel have increased sharply (38.3 percent), leading to higher input costs. Prices of cement have gone up by more than 13 percent.

The prices of pulses went up by 27.5 percent, wheat by 17.4 percent and fruits and vegetables by 9.5 percent.

Only last month, the Reserve Bank of India hiked the cash reserve ratio of commercial banks in order to curb lending by them and thereby check growth of money supply and demand spurt in the economy.

Bankers and economists say the government has both options -- monetary measures and cutting customs duty on manufactured goods like non-ferrous metals.

Much of the rise in money supply is due to strong growth in bank deposits, which aggregated to Rs23,81,242 crore as on January 5 this year while bank credit rose to Rs23,346 crore during the fortnight to touch Rs17,57,479 crore.

S America urges prompt revival of Doha talks

AFP, *Rio De Janeiro*

South American governments Friday urged the prompt resumption of the Doha Round of trade talks and called on rich nations to take the lead in making concessions to unblock the negotiations.

In a joint statement on the sidelines of the two-day Mercosur summit that ended here Friday, 12 regional government leaders and representatives urged a greater opening of developed markets to farm exports from developed nations.

It also called on developed nations to slash government subsidies of their agricultural sectors as well as the tariffs they impose on imported farm products.

In the statement, the South Americans "recognized the urgent need to complete Doha Round negotiations to strengthen the multilateral trade system, which effectively contributes to achieving the goal of eliminating poverty and promoting development."

The Doha Round, launched in the Qatari capital in November 2001, was suspended last July by the World Trade Organization after negotiators failed to reach an accord on issues such as agricultural subsidies and market access.

Top fashion brands fail quality tests in China

AFP, *Beijing*

Clothes from leading international fashion have been declared substandard in China with some containing large levels of a chemical that can cause respiratory and eye irritations, authorities here said.

Quality control tests were conducted on garments from 40 labels for sale in Shanghai including luxury brands Armani, Burberry, Polo Ralph Lauren, ST Dupont and MaxMara, China's bureau of commerce and industry said.

Of the 59 garments and shoes tested, 25 were declared substandard with some having high levels of formaldehyde, unacceptable amounts of acid (pH) and poor dyes, the bureau said in a notice on its website on Friday.

All but one of the 25 garments were imported.

Formaldehyde can cause skin rashes, eye irritations, provoke allergies and cause respiratory problems and cancer, in extremely high levels, the notice said. One garment contained twice the amount allowed under regulations, the notice said.

The results will spark concern among retailers and shoppers in China, the world's third-largest consumer of luxury goods after Japan and the United States.

About 250 million Chinese are expected to be able to afford luxury goods by 2010, according to leading French pollster the IPSOS Institute.

Other problems include erroneous labelling, with one garment saying it was 20 percent cashmere but tests discovered it contained just 1.7 per percent.

Bullish stock market: What to do next

MAMUN RASHID

On Thursday last Bangladesh bourses saw a huge surge in daily turnover after more than a ten-year break. In 1996, before the `bubble burst', the country's' capital market experienced the highest daily volume turnover of Tk 107 crore on 13th November 1996. On 13th January 2007, the market witnessed a daily turnover volume of Tk 93 crore and the next day it was little over Tk 104 crore. Though usual Bangladeshis are more interested in discussing political past and future of this country and media news or talk shows naturally reflects the same, last Thursday seemed to be a little different. People, who almost shifted their attention from economy, especially capital market, again woke up and started discussing the capital market ways of economic development and possible future of our capital market. Question naturally comes up- is it sustainable? What comes next?

Capital market is the engine of growth for an economy. Its state of vibrancy reflects the condition of an economy. While the commercial banking market provides the impetus for growth at the initial stage, stock markets support the economy to reach an exotic level in terms of financial market sophistication, customised products and solutions for emerging conglomerates. Today, with a US$ 60 billion plus economy and per capita income of about US$ 450, Bangladesh should really focus on improving governance and letting develop advanced market products, such as derivatives and swaps. We are at a critical juncture for the next move, the country has exhausted its capacity to reach up to this level, but it has only revitalised its energy and confidence for the next big jump. How to do it and when to do it are the questions asked. International experience suggests that unless the market is opened up and appropriate control mechanisms are in place, markets do not reach its fullest potential.

While talking progress, control comes along. Good governance and trust are the corner stone of success. The regulator should put in control mechanism and then only performs checks, and market operators should be respectful to the control environment and let there be a fair play. While greed keeps us moving, we must not forget that fear might follow any time. We hear a lot about market downturn and bearish trend -- market correction is an integral part of the process. We need to be proactive and take initiatives to promote new products in the market. We would require continuous support from the government and multilateral agencies.

What Has Happened To Date

Post-1996 event, several rules, regulations and guidelines are now in place and surveillance has also strengthened resulting in renewed investors' interest in the market. We now have stronger surveillance and improved rules relating to public issue, rights issue, acquisition, mergers and so on. All these fundamental developments, which were well overdue, followed the 1996 Bull Run. It was a learning experience for Bangladesh, and the market watchdog initiated desired level of changes subsequently. The government has taken proactive steps to develop the capital markets with support from the World Bank and Asian Development Bank, and introduced incentive-based structures for debt and equity listing. The surveillance ability of the Securities and Exchange Commission is being improved through the capital market development project of ADB.

We have seen strong momentum and drive to develop local capital markets as a viable source of financing for companies. Increasingly policymakers, regulators, issuers, investors and other stakeholders have realised the value of a vibrant capital market to reduce pressure on the bank market. Recent circular from Bangladesh Bank to maintain certain debt-to-equity ratio by entities with foreign investment or seek special permission for deviations endorses government's pro-market views.

Tax Law

Tax law has been changed to encourage listing, and there is policy level drive to reduce over-heating of bank lending market and to curb inflationary pressures. Issuer companies can now enjoy significant tax advantages as a Bangladesh publicly listed entity 10 percent tax saving from being a publicly listed entity, and 10 percent savings on taxes payable for companies paying dividend above 20 percent or more of face value.

CDBL

The dematerialisation effort of central depository has been a continued success with over 75 percent scrips now being in dematerialised form.

Pricing

As per changes in 2006 Public Issue Rule, SEC is now open to internationally acceptable and widely used valuation methods. However, IPO premium has to be justified and supported by credit rating performed by SEC-approved rating agencies. IPO pricing methodology has been relaxed and the value of equity is no longer restricted at NAV of the company intends to list. Valuation can be done by other internationally practiced methods of price setting, and SEC is open to give serious considerations to those methods. To note, the Berger IPO was priced above NAV, and dividend discount model was considered, among others, for determination of pricing. In addition, P/E multiples of other listed companies operating in a similar sector in the Bangladesh market are considered for valuation of new issues.

Quota

To support the mutual fund industry and to attract retail investors to invest through mutual funds, SEC has provided 10 percent quota for mutual funds. For non-resident Bangladeshis, 10 percent quota is there, and the remaining 80 percent is open to foreign and local institutional investors.

Capital Market Does Facilitate Economic Growth

Populist economist Joseph Stiglitz though said `There is no evidence to show that the capital market supports economic growth', the history of economic development of most of the developing economies does prove that capital raisings and accumulation through capital market and SME development did significantly helped the economic development of those countries. In neighbouring India, the discipline brought in by Securities & Exchange Board of India (SEBI), did significantly help the corporate governance of the country as a whole. Now there are more than 100 Indian corporate houses with more than $1 billion market capitalisation and continuously changing the colour of corporate India and driving the future growth. Capital market helps accumulate wealth of retail savings and divert it to the industrial sector, while offering investors/savers to exit from the investment and allow new investors to take on the risk. Obviously investment in shares is riskier than investments in bank deposits, and that is why stock market is expected to provide higher return. If there were no stock market, we would not have seen riskier projects getting financing from any sources in a timely fashion, a number of ideas would get killed right at their inception. Despite recognizing so much of financing needs in the industrial and infrastructure sectors of Bangladesh, international venture capital funds are not very active in Bangladesh primarily due to non-availability of exits. One main condition of foreign investment -- direct or portfolio -- is exit. An effectively alternate and easier exit channel may even lower the expected return of foreign investors, thereby reducing the burden of interest rate, put option pricing or other restrictive clauses on the borrowers/issuers out of Bangladesh. As an alternate source of financing, stock capital has played significant roles in all capitalist economies, and empirical evidence would also suggest that most of the economically successful economies have vibrant capital market. Both bank lending sector and capital markets worked side-by-side and contributed to the development.

What To Do Next

- Auditing standard has to be improved; this is one area, which could fix a lot many other problems.
- Profitable state-owned-enterprises should be listed, to create market depth. The government has started doing it through the direct listing of DESCO, PGCB, but BTTB, PDB, Biman and other SoEs should be immediately listed.
- Improve surveillance to tackle manipulation, which has always been against the basic ethic of a market practitioner. It leads to unhealthy competition and does not help in market making and reflecting the intrinsic values of scrips.
- Bangladesh should really focus on improving governance and letting develop advanced market products, such as derivatives, swaps etc. The market needs more and more good scrips. Corporates are still dependant on the banking market short-term borrowing. The irrational interest rate differential between the risk-free rates and banking lending rates still work as a hindrance to the development of commercial paper market.
- Incentive for private sector entrepreneurs to access the capital market should be more noticeable. In addition to the fiscal incentive, the SEC may consider some other incentives for the private sector, may be few foreign exchange related benefits for listed MNCs.
- Infrastructure projects should access capital market to raise financing through bonds.
- Large-scale securitisation should be encouraged and listed.

Equity research is not yet very popular in Bangladesh; quality of brokerages houses should be assessed by the quality of research produced by their independent research departments.

While the Bangladesh capital market still has a long way to go, we must recognize the current juncture and react to the need of time. Bangladesh is still an unexplored land for foreign investors, but we regularly lose out to our competitors in Africa, Eastern Europe and South Asia. We need to focus on success transfers and work together for the development of the capital market of Bangladesh.

The writer is a banker and nominated director of Chittagong Stock Exchange

US petroleum demand dipped in 2006

AP, *Washington*

While oil companies reaped gargantuan profits in 2006 amid high prices, U.S. demand for petroleum dipped last year to below 2004 levels, a trade group said Friday.

Total U.S. petroleum deliveries, a measure of demand, fell by roughly 1 percent to 20.6 million barrels per day, according to a report by the American Petroleum Institute. That's down from 20.8 million barrels a day in 2005 and below the 2004 level of 20.7 million barrels a day. The group said the figures are preliminary and may be adjusted.

The analysis was released one day after the Paris-based International Energy Agency estimated that oil demand in the world's industrialized countries declined by 0.6 percent in 2006. Global demand rose in 2006 due to the strength of consumption in China and the Middle East, but the world's appetite has grown at a slower pace for two straight years.

"We've entered that era on a worldwide basis where demand is growing more slowly," Citigroup oil analyst Tim Evans said.

"Oil producers may have priced themselves out of some markets," he added, noting that declining petroleum demand has historically occurred during economic recessions.

Most analysts are forecasting slower economic growth in the U.S. in 2007, in part because of high energy prices but also due to the financial reverberations caused by a slowdown in the housing sector.

In the U.S. still the world's largest energy consuming nation residual fuel oil deliveries experienced the steepest decline, falling nearly 27 percent to 673,000 barrels per day as industrial and electric utility facilities made major shifts to natural gas, the report said.

Jet fuel demand declined by 2.8 percent to 1.6 million barrels a day, as airlines conserved fuel as best they could.

The year's largest increase in demand was for distillate fuel, which includes highway diesel and heating oil. Deliveries of distillate fuel rose 1.3 percent to about 4.2 million barrels per day.

Gasoline demand rose 0.8 percent to average more than 9.2 million barrels per day. The slight bump was met entirely by ethanol blends, which rose by nearly 35 percent, to an estimated 5.4 billion gallons, API said.

"Our figures show modest increases for some products but a decline in overall oil demand," said Ron Planting, manager, information and analysis, for API. "That decline came as airlines continued to find additional ways to economize on fuel, and as industrial users and electric utilities substituted less expensive natural gas for heavy fuel oil."

Motorola announces 3,500 job cuts

AFP, *New York*

Motorola Inc., the world's second-largest mobile phone maker, announced 3,500 job cuts Friday after reporting a sharp fall in earnings due to an industry price war.

The US company's revenues surged by 17 percent to a record 11.8 billion dollars in the fourth quarter through December, thanks to robust worldwide demand for the latest cellphones.

Motorola shipped a record 65.7 million handsets in the three-month period, up 47 percent from the same quarter of 2005.